

Decision 01-12-012 December 11, 2001

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Joint Application of Pacific Pipeline System LLC
and Pacific Energy Group LLC for an ex parte
order approving a change in control pursuant to
Public Utilities Code Section 854(a).

Application 01-09-022
(Filed September 12, 2001)

O P I N I O N

1. Summary

This application seeks authorization under Section 854(a) of the Public Utilities Code of a change of control of Pacific Pipeline System LLC (Pacific Pipeline) through an internal corporate reorganization. The application is unopposed. The application is granted.

2. Description of Transaction

Pacific Pipeline is a public utility subject to the jurisdiction of this Commission under Pub. Util. Code § 216. Pacific Energy Group LLC (Pacific Energy) is a newly formed Delaware limited liability company. The parties seek an order approving a change of control of Pacific Pipeline to Pacific Energy.

Specifically, Pacific Pipeline's immediate parent, PPS Holding Company (PPS Holding), a Delaware company, proposes to transfer its 100% membership interest in Pacific Pipeline to Pacific Energy. Pacific Energy is also a wholly-owned subsidiary of PPS Holding. Consequently, Pacific Pipeline would become a wholly-owned subsidiary of Pacific Energy, which in turn is wholly owned by PPS Holding. Applicants state that the primary purpose of the change is to

consolidate PPS Holding's western United States energy activities for financial reporting purposes by utilizing a separate holding company, Pacific Energy.

Applicants state that the proposed change in control is largely administrative and will have no substantive impact on Pacific Pipeline's operations or on the general public.

3. Background

Pacific Pipeline is a Delaware limited liability company that owns and operates two separate crude oil common carrier pipelines under tariffs on file with the Commission. These pipelines are known as the "Pacific System" and the "Line 63 System," both of which extend from Kern County in the San Joaquin Valley to various oil refineries and delivery points in the Los Angeles Basin.

The Pacific System was approved by the Commission in Decision (D.) 96-04-056 and went into operation in 1999. Pacific Pipeline is authorized to transport an annual average of 130,000 barrels of crude oil per day on the Pacific System. The system operates pursuant to a market-based tariff authorized by the Commission in D.96-04-056 and approved by Resolution O-0028.

The Line 63 System consists of a main pipeline that is capable of shipping approximately 105,000 barrels of crude oil per day. In addition to the main pipeline, the Line 63 System also includes various gathering lines in the San Joaquin Valley and crude oil distribution lines in the Los Angeles Basin. The system operates as a common carrier pipeline under tariffs approved by the Commission in D.97-05-031 and adopted by Pacific Pipeline in Advice Filing No. 3, which was authorized by the Commission effective June 7, 1999.

Applicants state that while Pacific Pipeline's formal ownership structure would change under the proposed restructuring, there would be no change in

the ultimate control over Pacific Pipeline, which would remain with PPS Holding.

Exhibits attached to the application describe the transactions in more detail and show that Pacific Pipeline under the reorganization will continue to have the financial and technical qualifications necessary to continue its operations in California. These transactions affect only Pacific Pipeline's corporate parents and affiliates and not Pacific Pipeline itself.

Pub. Util. Code § 854 requires Commission authorization before the merger, acquisition or transfer of control of any public utility organized and doing business in California. The purpose of this and related sections is to enable the Commission, before any transfer of a public utility or its property is consummated, to review the situation and to take such action, as a condition of the transfer, as the public interest may require. (*San Jose Water Co.* (1916) 10 CRC 56.)

The proposed transfer of control here is part of a restructuring intended to serve financial reporting purposes. No changes in existing services are proposed. There have been no protests to this application, and the contemplated transfer appears to be noncontroversial. There is a public interest in accurate financial reporting.

In Resolution ALJ 176-3072, dated September 21, 2001, the Commission preliminarily categorized this proceeding as ratesetting, and preliminarily determined that hearings were not necessary. Based on the record, we conclude that a public hearing is not necessary, nor is it necessary to alter the preliminary determinations in Resolution ALJ 176-3072.

The application is granted, subject to the terms and conditions set forth below.

This is an uncontested matter in which the decision grants the relief requested. Accordingly, pursuant to Pub. Util. Code § 311(g)(2), the otherwise applicable 30-day period for public review and comment is being waived.

Findings of Fact

1. Notice of this application appeared in the Commission's Daily Calendar of September 21, 2001.
2. Applicants seek approval pursuant to Pub. Util. Code § 854(a) of a change of control of Pacific Pipeline to Pacific Energy, with ultimate control continuing in the parent company, PPS Holding.
3. Pacific Pipeline is authorized to provide crude oil transportation services through its Pacific System and Line 63 System in California.
4. The restructuring is for administrative purposes and would not affect Pacific Pipeline's services or operations.

Conclusions of Law

1. The proposed transfer of control of Pacific Pipeline is not adverse to the public interest and the goal of accurate financial reporting serves the public interest.
2. This proceeding is designated a ratesetting proceeding; no protests have been received; no hearing is necessary.
3. The application should be approved.

O R D E R

IT IS ORDERED that:

1. Pacific Pipeline System LLC (Pacific Pipeline) and Pacific Energy Group LLC (Pacific Energy) are authorized pursuant to Section 854(a) of the Public Utilities Code to enter into the transaction, as more fully described in the

application and its exhibits, by which Pacific Energy will acquire control of Pacific Pipeline.

2. Applicants shall notify the Director of the Commission's Energy Division in writing of the transfer of control, as authorized herein, within 10 days of the date of consummation of such transfer. A true copy of the instruments of transfer shall be attached to the notification.

3. Pacific Pipeline shall make all books and records available for review and inspection upon Commission staff request, and shall provide such financial information regarding its corporate parent and its parent's subsidiaries as is necessary for the Commission to regulate Pacific Pipeline.

4. The authority granted herein shall expire if not exercised within one year of the date of this order.

5. Application 01-09-022 is closed.

This order is effective today.

Dated December 11, 2001, at San Francisco, California.

LORETTA M. LYNCH
President
HENRY M. DUQUE
RICHARD A. BILAS
CARL W. WOOD
GEOFFREY F. BROWN
Commissioners